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Executive Registry

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7 August 1969

MEMORANDUM FOR: Deputy Director for Intelligence

SUBJECT : Comments on Richard Armstrong's
Article, "Military-Industrial Complex--
Russian Style", Fortune, 1 August 1969

1. The Fortune article is generally accurate. There are a number of minor discrepancies, but the quantitative data presented are in general agreement with national intelligence judgments. Selected examples are shown in the attachment.

2. The remarks under the subtitle "Two Kinds of Costs" (pages 4 and 5 of the article) pertaining to CIA's estimates of Soviet defense spending and GNP are substantially correct, as is the example cited of misuse of the estimates. Soviet defense expenditures measured in dollar costs should not--the author correctly asserts--be compared with Soviet GNP as derived by the CIA method. We hope this is read thoroughly in the Pentagon and on Capitol Hill.

3. Our estimate of the share of Soviet defense spending in GNP valued in dollars would be 11.5 percent, if we were to measure it that way. This is somewhat higher than the 10 percent figure arrived at by the author. However, measuring the defense burden of one country by revaluing into the prices of another country is a hybrid approach that should be used with great care, if at all. In rubles--the better measure--the Soviet Union devotes roughly 8 percent of its GNP to defense. Even so, this is such a generalized relationship that it does not provide much of a measure of the full burden of the defense effort on the Soviet economy.

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4. The last paragraph of the article concerning the "USIB Estimate" is misleading in that it implies that the US Intelligence Community believes that the Soviet Union is trying for strategic superiority or a "first strike" capability. Whereas the NIPP does project Soviet forces that may exceed the US in selected weapons by the mid-Seventies, the Intelligence Community has never estimated that the Soviet Union is trying for overall strategic superiority. In NIE 11-8-67, the judgment was made that "all things considered, we continue to believe that the Soviet leaders will not expect to acquire strategic capabilities which they would deem sufficient to permit them to launch a first strike against the US without receiving unacceptable damage in return." We judge rather that the Soviets are concerned with preventing degradation of their present capabilities by oncoming US strategic programs, particularly by the great numerical increase in numbers of individually targeted warheads now programmed for US forces in the Seventies.

5. The author's qualitative judgments on Soviet forces are somewhat overstated. For example, his accolades on the smoothness of the Czechoslovakian invasion is overly favorable to the Soviets, while the inference that they were so poorly provisioned that they "lived off the land" is probably too unfavorable a view of the Soviet logistics system.

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BRUCE C. CLARKE, Jr.
Director
Strategic Research

Attachment:
Comparison Table

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Comparison of CIA Estimates and
Selected Figures in Fortune Magazine's
"Military-Industrial Complex-Russian Style"

	<u>Fortune</u>	<u>CIA</u>
ICBMs	1,035	1,038 (mid-1969)
SLBMs	129	121 - 1968 202 - 1969
MR/IRBMs	750	673
Heavy Bombers	155	200 including 45 tankers
Combat Ready Divisions	60	65 Category I Divisions
Submarines	380	351
Total Soviet Defense Expenditures	\$54-62 Billion	About \$60 Billion (1968)
Soviet GNP (expressed in Rubles)	33% of US GNP	39% of US GNP (1967)
Soviet GNP (expressed in dollars)	70% of US GNP	63% of US GNP (1967)
Soviet Defense Expenditures (% of Soviet GNP in rubles)	-	8% (1968)
Soviet Defense Expenditures (% of Soviet GNP in dollars)	10%	11.5% (1967)